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*Mr. B. Penning
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~~May 4, 1921.~~

MONTHLY NOTES

FARM MANAGEMENT AND FARM ECONOMICS

May 1, 1921.

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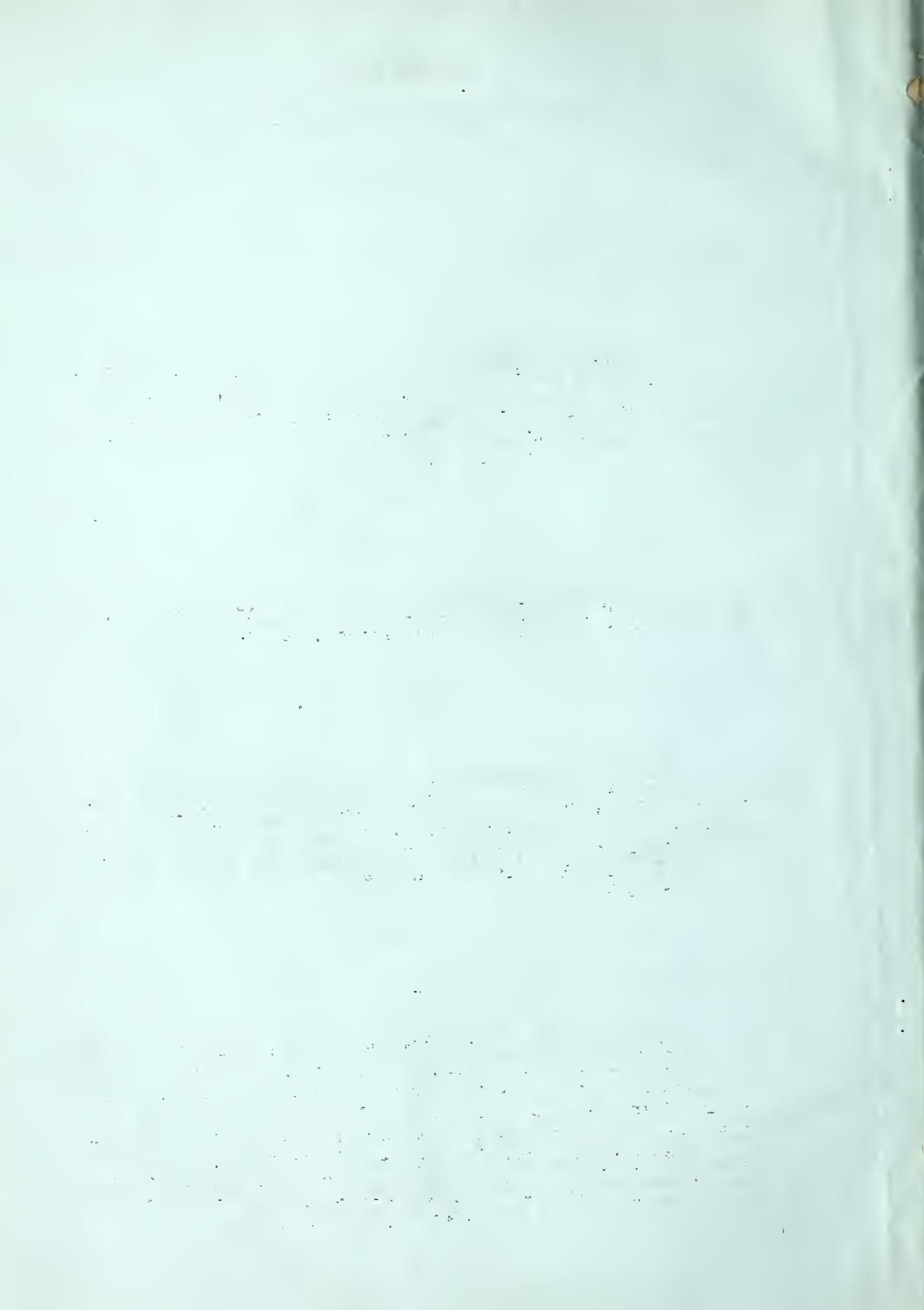


THIS MONTHLY LETTER will leave us hereafter promptly on the first day of each month. I mention this because if you happen to want to pass on some items to county agents or others it will be of advantage to know what you can depend on, so far as regular receipt is concerned.

IF YOU DON'T READ ANYTHING ELSE in this sheet, read the statements by Dr. Warren, and Professor Boss.

COST OF PRODUCING WHEAT is the title of a bulletin just off the press, written by Messrs. Cooper and Washburn of this Office. This is the outgrowth of a survey of 481 farms in North and South Dakota, Minnesota, Kansas, Nebraska, and Missouri for the crop year 1919. It will interest many men in and out of the grain belt.

COTTON GROWING IN SIX STATES has been summarized as to the basic elements of production cost by Mr. Moorhouse and a preliminary report went out recently. The same idea has been followed in this study of getting the basic quantity figures out where they can be seen. We are interested in knowing the dollar cost of each year's crop, - but after all, it is these fundamental elements that enter into production year after year that we really need to build up a body of knowledge on. The cotton report is yours if you need a copy.



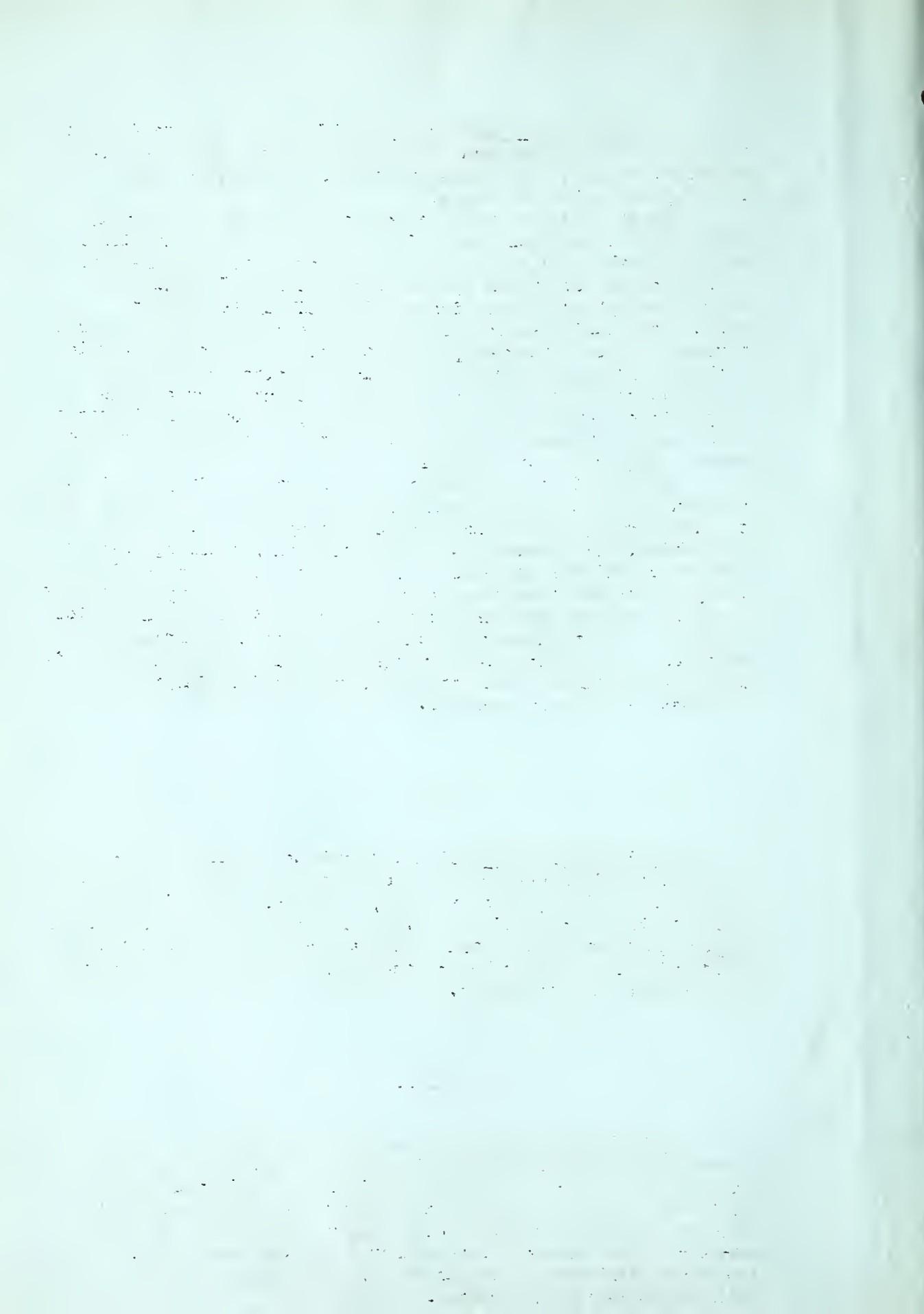
RELATIVE TO THE POTATO SITUATION there are two factors that may be worth some consideration in view of their application at present, and in connection with the potato study recently put out by Mr. Case.

One is that the price of potatoes has gone relatively lower than it has been before in five years. It is now lower relatively than most of the major farm products. The general depression has cut normal potato consumption. It would not seem as though this situation would be likely to persist through the coming season, even though we should plant a normal acreage and get a fair crop. Potato prices respond quickly to a changed production or market outlook. Moreover this is one crop that we are not apt to see greatly troubled by foreign competition. Our prices could probably go up by a considerable margin before we would see any great importation from Canada or Europe, regardless of a tariff.

Another factor is that of freight rates. If present rates continue in force it may mean some readjustment in potato production, depending on distance from consuming centers. It may be that Maine, for instance, will want to push her acreage harder than ever; and that Colorado, for instance, may find it wise to readjust her potato acreage to a new basis. This may not follow, of course, nor may present freight rates hold for a long period. But there is a point here worth the attention of farm management men. For if good farm management policy means anything, it means an alertness to changed conditions and moving into line therewith as well as possible.

IF YOU WISHED TO KNOW how many hours of labor, or other material requirements enter in to the average production of corn, corn silage, wheat, oats, and hay, - you would find it worth while to have a copy of Messrs. Moorhouse and Juve's preliminary report just sent out on this subject. Here is a report that certainly will be of value on the desk of every farm management man and many county agents.

IN THE PALOUSE DISTRICT, on 229 wheat farms surveyed, it was found that about 80% of the wheat (1919 crop) was produced at a cost of \$1.90 per bushel or less. In other words, this survey is so worked up as to permit finding at a glance the cost of any percentage of the crop. Costs and basic factors are shown for owner and tenant farms, for wheat grown following different crops and no crop, for wheat harvested with binder and with combine.



FARM SALES AND VALUES in the Bluegrass Region of Kentucky are the subject of investigation by Mr. G. W. Forster, Asst. Chief of this Office. Mr. Forster spent several days in Kentucky about a week ago and reports that many men who bought tobacco-land farms at high prices are now embarrassed about making payments, with tobacco selling at its present low figures. This situation has its counterpart in other regions. There is little doubt that we need careful study of this situation, for it is the abnormal periods that give us a new slant on the old questions of earning power and land values.

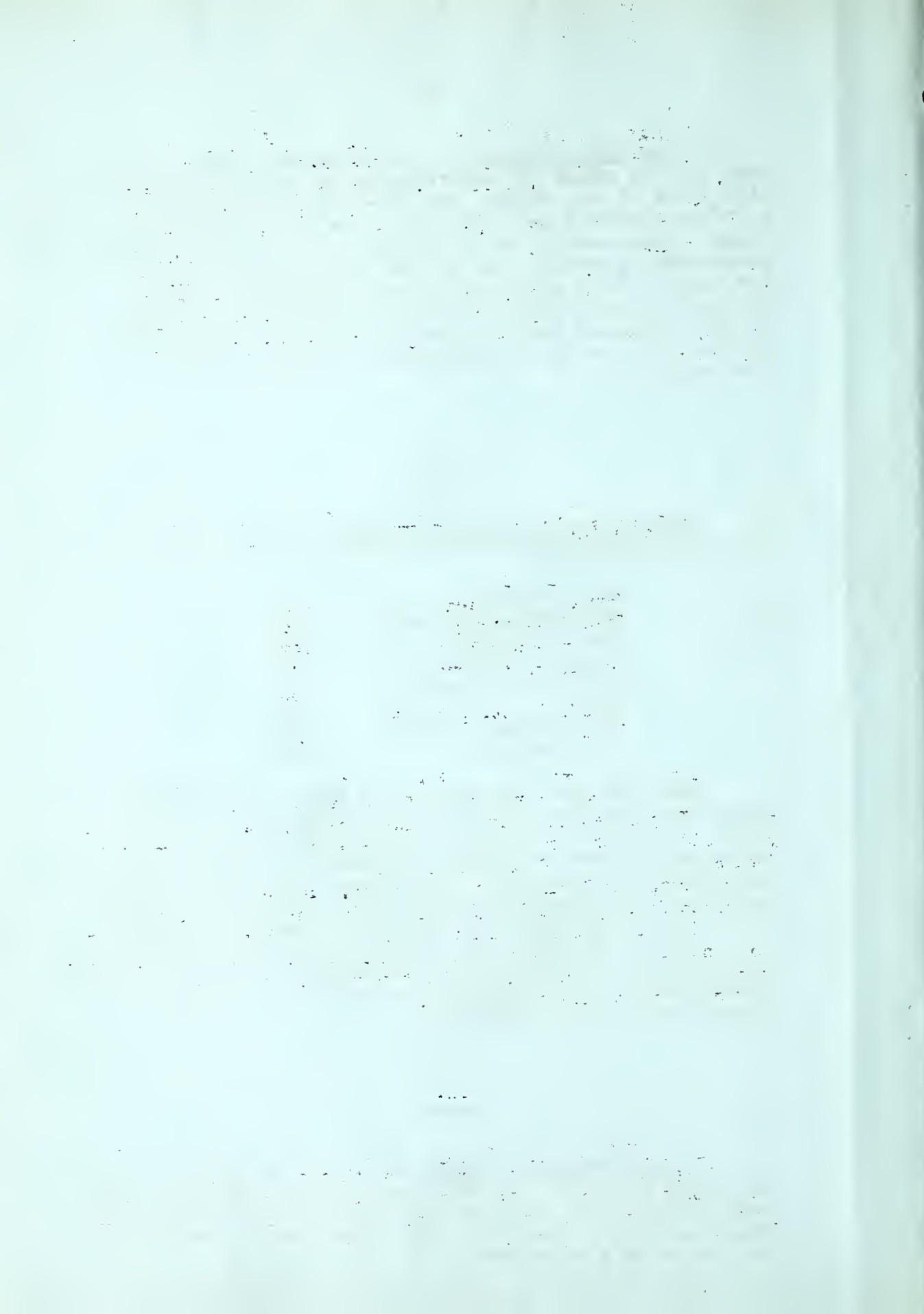
WHOLESALE PRICE INDEXES FOR MARCH, recently issued by the Bureau of Labor are:

All commodities	162
House furnishing goods	275
Fuel & lighting	207
Cloths & clothing	192
Chemicals (& drugs)	171
Food	150
Metals & met. products	139
Farm products	125

Since the year 1913 is taken as the base or 100, these figures each express percentage of the group above the 1913 price. If you had these March figures plotted on a price chart you would note that everything continued to decline, except the food group which stood pat at 150. Farm products are still the lowest group, declining 4% in the month. Lumber and building materials fell 8%, metals 7%, house furnishing goods only 2%.

The all-commodity index of the Federal Reserve Board for March stands at 150, against 154 in February. This is a 4% fall, compared with the 5% drop in the Bureau of Labor figure. The latter includes more commodities.

WE HAVE SOME PRICE CHARTS about ready to send out. We are trying to get these in such shape that they will be of some value for those who are interested in following the trend of prices and wish to carry the charts along month by month. They will go out in a day or two.

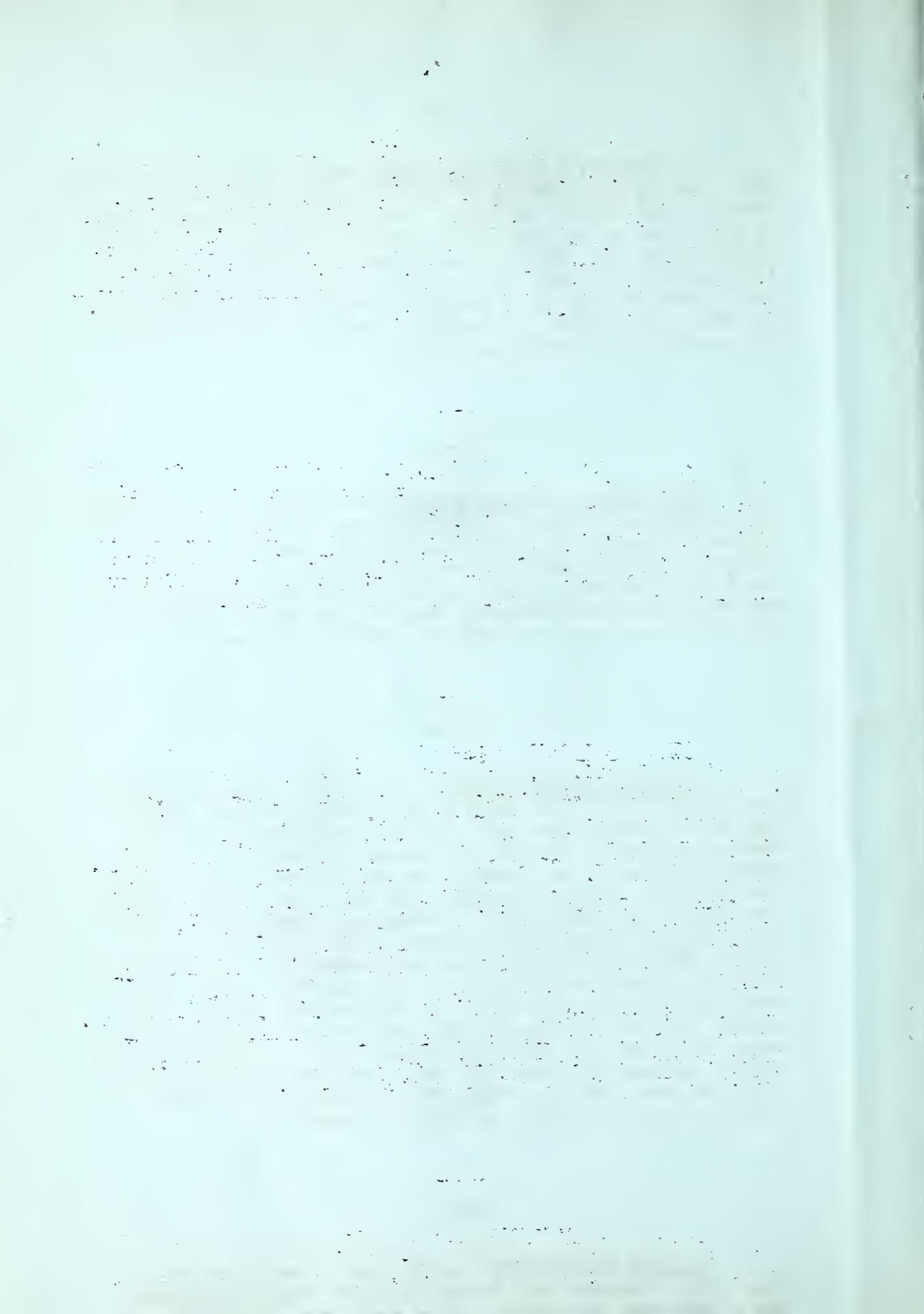


IN CONNECTION WITH PRICE STUDY and inflation, it is worth noting that gold is moving to this country at present from every corner of the world. On April 1 our stock of gold stood almost at the record point (the latter being \$3,095,077,000 in July, 1919), and all the month we have been getting more. It is said that much of this gold is finding its way into the Federal Reserve banks and not being made the basis for added inflation, (in other words, that the reserve ratio is being increased without lowering the re-discount rate).

BANK DEPOSITS ARE DECREASING, according to the Controller of the Currency's report covering national banks to close of business, February 21. Total deposits of that date were \$15,478,354,000, which was \$799,403,000 less than in December, and \$1,486,768,000 or 9.6% less than a year ago. Those of us who are interested in keeping track of the trend of deflation will find some tangible evidence in this statement.

PROFESSOR IRVING FISHER of Yale, in a letter to the New York Times of April 19, among other things expressed himself thus on the price situation: "We have gone through a severe commercial crisis. It has not been as spectacular as other great commercial crises because our new Federal Reserve system has afforded a cushion to absorb the shock and prevent a panic. Such crises have frequently followed wars before, as in 1857, following the Crimean War; in 1866, following the Civil War; and in 1873, following the Franco-Prussian War. It is my own expectation that wholesale prices will shortly begin to rise and will rise very materially before they have another culmination. When, a few years hence, the next culmination does occur, it is not unlikely that we shall have a secondary crisis. But no one can, of course tell with certainty what the future holds in store, and especially when so many of the factors are foreign factors and political in their nature."

DR. ELY OF WISCONSIN visited this Office about ten days ago. In an informal talk he said - in his very entertaining way - that there is practically no such thing as "unearned in-



rement" in land, so far as the individual is concerned at least. When all the facts are in, when we take account of decrement and of high taxes or other charges that frequently appear against land, it is generally the case, said Dr. Ely, that money invested in land would be found to increase about on a par with money invested at compound interest in other enterprises.

I have asked Professor Warren, and Professor Boss to give us a brief observation on the trend of farming affairs and what, in their opinion, may best be done about it. These follow on the next pages.

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STATEMENT OF DR. WARREN OF CORNELL.

"I am asked for a statement concerning farm practice to meet the present situation.

We are passing through the most serious agricultural panic that has ever occurred. The product of an acre of cotton, if sold this year, will buy 61 per cent of the quantity of general commodities that the product of an acre of cotton would have bought as a five-year average before the war. Records are available for 43 years and in only one year, 1894, would the product of an acre of cotton buy so little. In making these calculations, the general price level used is the price level of "all commodities" of the Bureau of Labor, and the value of the cotton crop per acre as given by the Monthly Crop Reporter.

In spite of the large yield per acre, the product of an acre of corn, if sold this year, could be exchanged for only 73 per cent of the average quantity of other commodities that an acre of corn would have bought as a five-year average before the war. This is the lowest in 20 years. If the calculations are made on the value of corn per bushel without giving consideration to the large yield this year, we find that a bushel of corn would bring the farmer a purchasing power of 60 per cent as much as the average for the five years before the war. This is the lowest since 1896. Even that year it stood at 54 per cent, so that cheap as corn was at that time, a bushel could be exchanged for almost as much general commodities as can be bought with a bushel of corn today.

The product of an average acre of wheat in the United States, last year, would buy 81 per cent as much as the average acre of wheat would buy for five years before the war. This is the lowest in 20 years.

The product of an average acre of oats, last year, would buy 74 per cent of the usual quantity of other things, which is the lowest since 1896. Or if we consider the price of oats, omitting the consideration of yield per acre, a bushel of oats would buy 63 per cent of the usual quantity of other things, which is the lowest in 55 years.

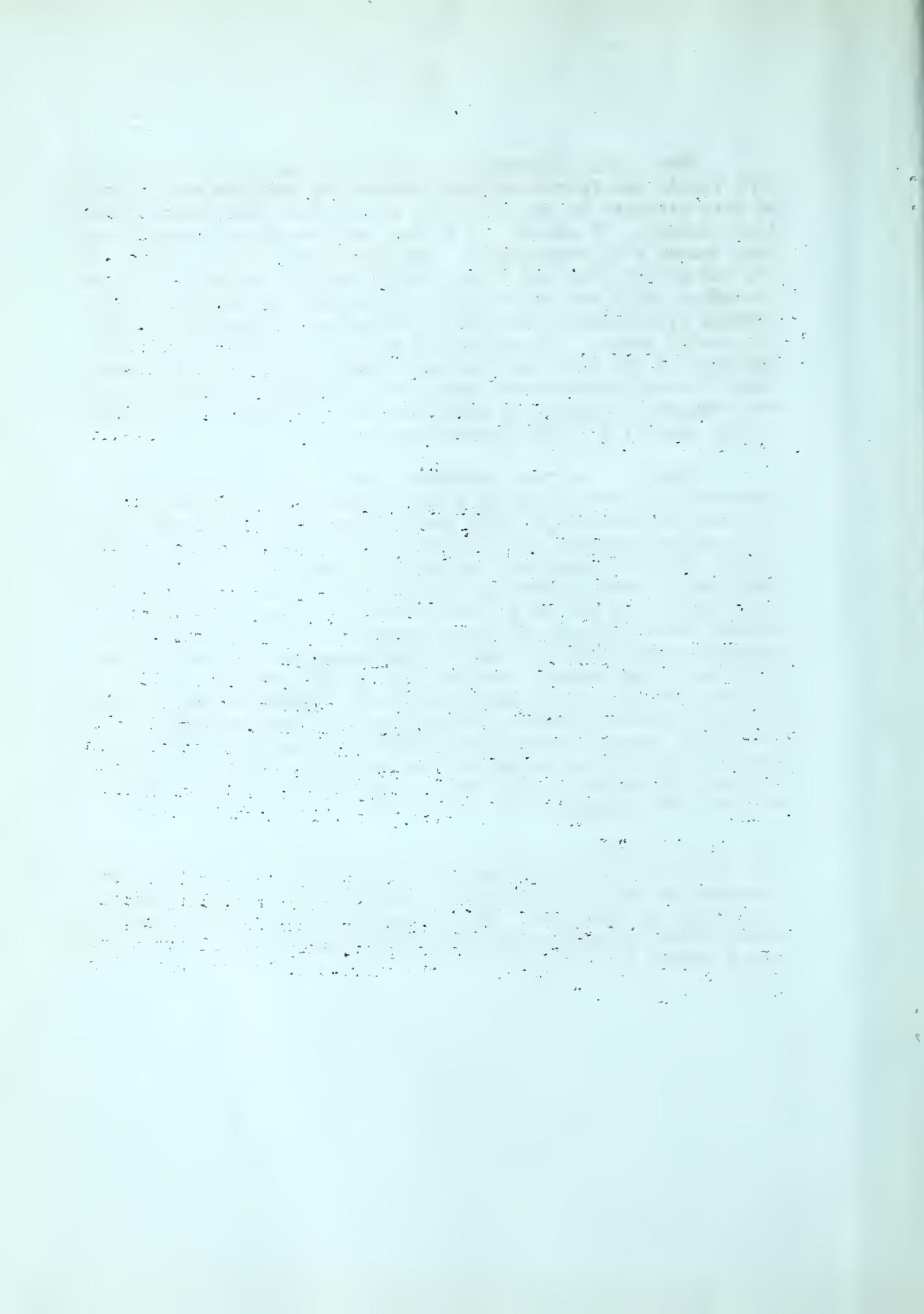
Such facts as the above completely dominate the agricultural situation. We are passing through the worst panic that has ever occurred, but agriculture is having a panic on top of a panic, for the discrepancy between agriculture and other things is a panic in itself.

In the countries of Europe the index numbers of prices show that food prices are not low. In some countries, as Germany, the food price is higher than the general price level. The general panic is world-wide, but the superimposed agricultural panic is centered in the United States. Other food-exporting countries are somewhat similarly affected.

Under these circumstances that have never before occurred what should the farmer do? My judgment is that the world's supply of food products is not excessive if the food were located where it is needed. Of course, it is very unlikely that such a favorable season will occur again. The yield per acre, last year, for the six grain crops was 13 per cent above the average. It seems, therefore, that the individual farmer should go ahead with his farming operations as near to the normal as he can considering the credit system. Of course, he will go slow in new ventures, and some of the land which normally fails to pay ordinary farm wages to the farm operator might well be allowed a year in which to recuperate, unless its operation can be conducted incidentally to the operation of the better land.

However, the most important single thing for farmers to do aside from continuing to work as usual is to hold on the farms a large amount of this year's grain crops and other produce. The only place where such excessive crops can be stored is on farms. City storages are spectacular, but for capacity it is the multitude of small cribs and granaries that count. The 13 per cent extra crop due to weather is not to be expected again. The farmer who holds some of this unexpected surplus to meet the possible unexpected shortage is performing an important public service. This service, however, is not understood by persons in cities, for the reason that they do not comprehend the variability of crops due to weather. One of the most important factors that helped to prevent Germany from winning the war was the large reserve held on farms out of the excessive crop of 1915 which made it possible to get through the spring of 1917 without a food calamity for Europe.

It is always in the interest of the public as well as in the interest of farmers that in the years of bounty, large food reserves be built up on farms as they have been done so many, many times in the past. And in the past, they have always proved to be needed although sometimes the carry-over had to remain large for a second year."



STATEMENT OF PROFESSOR BOSS OF MINNESOTA.

"The indications at the present time are that the world is shorter of wheat and rye than of corn and first grains. The present range of prices seems to favor wheat as compared with other grains. Pork has an advantage over other meat products. Dairy products still demand fairly good prices. Unless there is a decided change in prices of livestock it is likely oats and barley will continue low in price and will be used largely for feed purposes.

While falling markets have depressed farmers to some extent, they are meeting this situation and taking their losses with less objection than are many other classes of people. There is a tendency on the part of the farmers to put in only such crops and to grow such products as they can care for with their present force. They are not taking a chance on putting high priced labor into low priced crops. They will not, however, seriously cut their acreage or production unless forced to do so by keen competition for labor in the industries.

The general trend of prices for farm products is low in practically all lines and business is comparatively quiet.

Farmers should this year concentrate their energy on keeping down production costs. This is easier to do this year than a year or two ago because labor and materials are relatively lower. These are the big factors in the Cost of Production."

CONDITIONS IN IOWA, according to a statement from Mr. Galloway (received just as this is being mimeographed) are as follows:

"The financial condition is still serious and the largest bulk of land sale settlements are being temporarily tided over thru the present season in the hopes that conditions may change in the near future. Late freezes have injured the fruit and done serious damage to the oats crop in the Southern half of the state. In many places the second planting has been partially destroyed. A general reduction in feeding cattle makes it appear that there will be probably a normal if not an increased acreage in corn this year. In some places where oats have failed, corn will be put in which will counteract any material reduction in acreage which may have previously been planned. Corn planting is just commencing in some of the Southern parts of the state."

